

percent over the past year, a sign that stability in the housing market may be increasing.

Home prices fell slightly for the second straight year, declining 1.6 percent.⁵ The good news is that the number of homes on the market dropped 10 percent, indicating that home prices may stabilize.

Historically low mortgage rates have helped stabilize house prices, but have not been enough to increase them. The low mortgage rates are tempered by the tightened credit standards that make home purchases difficult for all but highly qualified buyers.

New residential construction in the area has shown continued weakness. Year-to-date new residential construction is 3.2 percent lower than last year. To put this in perspective, construction spending is 47 percent lower than it was just four years ago. Eventually, new home construction will pick back up, but it may not occur in 2012.

Super Bowl

The Super Bowl will provide a small boost to the Indianapolis area economy. While economic impact estimates vary widely, conservative estimates would suggest an economic boost of \$100 million to \$200 million (more aggressive estimates put it between \$400 million and \$500 million). This spending represents about 0.2 percent of total annual spending in the Indianapolis area economy.

This should lead to a small bump in incomes and temporary jobs as Indianapolis welcomes tens of thousands of visitors. While most of the increase will be in retail and hospitality, the spending should be multiplied through the entire economy, giving a minor boost to many sectors of the economy. While the publicity for the city will be great, the economic benefits often don't last for long after the event is over.

Forecast

Barring any major negative shocks to the economy, incomes will grow in 2012, and the unemployment rate should continue to drift downward. However, the rate of job creation is not enough right now to put a serious dent in the unemployment rate, which will likely still be over 7 percent by the end of 2012. ■

Notes

1. This analysis covers the Indianapolis-Carmel Metropolitan Statistical Area, which includes Boone, Brown, Hamilton, Hancock, Hendricks, Johnson, Marion, Morgan and Shelby counties.
2. Employment data were collected from the Bureau of Labor Statistics reports accessed from the STATS Indiana website.
3. Income data come from the Quarterly Census of Employment and Wages at the STATS Indiana website.
4. Foreclosure and delinquency data come from Foreclosure-Response.org.
5. Housing prices and supply of houses were collected from www.housingtracker.net.

Kokomo Forecast 2012

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While Kokomo is celebrating a new laboratory at Delphi and the Indiana Chamber of Commerce naming it as the "Community of the Year," its economy still remains heavily weighted toward manufacturing. Employment in manufacturing industries peaked statewide in June 2000, and while recent losses have been much less than they were in 2009 (with some months even posting gains), manufacturing employment has still not regained anywhere close to its peak (see **Figure 1**).

The Kokomo area remains heavily invested in industrial production and is very subject to economic disruptions as industrial production fluctuates. The critical news is that many of these job losses will be permanent due to increasing productivity, job losses to overseas and the troubles in the automobile industry. This means that manufacturing production, while increasing somewhat, is unlikely to return to the glory days of the past.

Overall, Kokomo's labor force (defined as those employed and those seeking employment) is smaller than in 2001. The decrease in the labor force numbers from 50,000 in 2001 to 42,500 in 2011 means that there are clearly fewer people in the area. Employment has also decreased in that same 10-year time period (see **Figure 2**).

The unemployment rate, while still higher than the state average, is nowhere near the highs of a few years ago (see **Figure 3**). In the data collected by the Bureau of Labor Statistics, many industries

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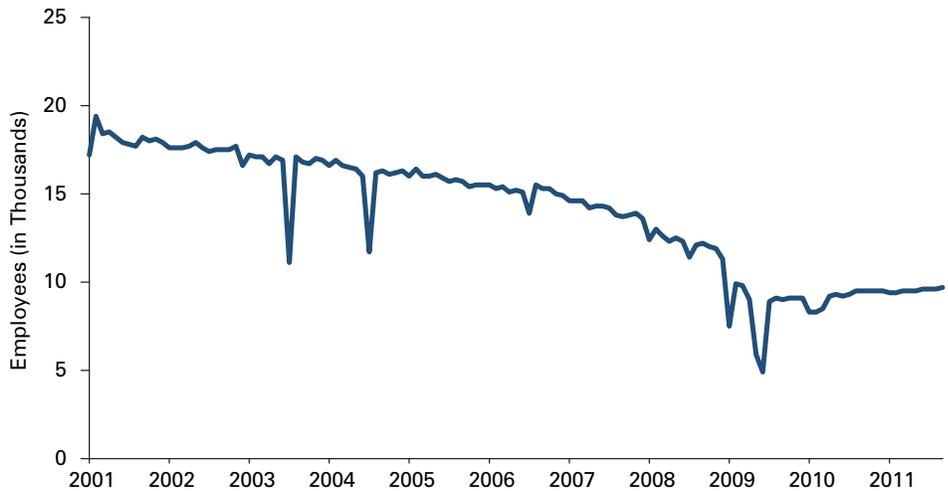
are showing a slight increase in employment.

Even if job growth is occurring, it is not in the same high-paying industries that drove the Kokomo economy for so long. This has an impact on stores, restaurants, etc. since the buying habits of workers making \$800 per week may not be equivalent to those earning \$1,640 per week. Economic theory says that the lower-paid workers may dine out less, buy less clothing (or buy clothing at less expensive stores), travel less, buy less expensive electronics, etc. Therefore, retailers, restaurateurs, etc. need to be aware of these trends and plan accordingly.

There are some bright spots—agriculture continues to do reasonably well. The high dollar values for corn and soybeans make commodity farmers very happy (though it doesn't make the livestock farmers nearly as happy). There are new businesses starting in the area, and Indiana has had some success in attracting new large business operations.

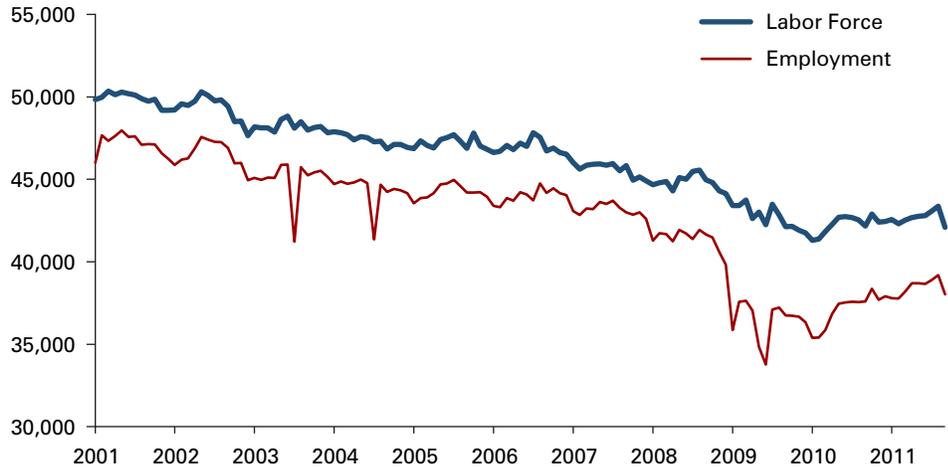
Nevertheless, the gloominess that has pervaded the economy for several years now continues. Overall, growth for the Kokomo economy is iffy. Trends in the automobile and other manufacturing industries will need to be watched carefully and local authorities will need to remain proactive on preparing the community for the future. In particular, K-12 students need to be reminded that their futures lie in industries very different from those of their parents and that they need to acquire the skills needed for that future. ■

FIGURE 1: Manufacturing Employment in Kokomo, January 2001 to September 2011



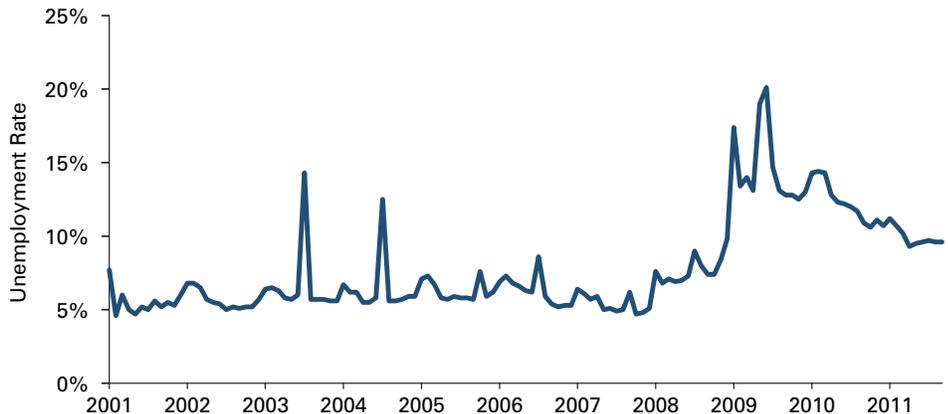
Source: IBRC, using Bureau of Labor Statistics data

FIGURE 2: Labor Force and Employment in Kokomo, January 2001 to September 2011



Source: IBRC, using Bureau of Labor Statistics data

FIGURE 3: Kokomo's Unemployment Rate, January 2001 to September 2011



Source: IBRC, using Bureau of Labor Statistics data